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Rimini Street CEO addresses SAP TomorrowNow rumors

Jon Franke, News Editor Published: 13 Dec 2007

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Oracle's lawsuit against [SAP's TomorrowNow](#) division was one of the most talked-about stories of 2007. The latest wrinkle saw many of [TomorrowNow's executives resign](#) and CEO Henning Kagermann say that SAP may sell the division.

One company that analysts mentioned as a potential buyer of TomorrowNow was Las Vegas-based Rimini Street, whose founder and CEO, Seth Ravin, was one of the founders of TomorrowNow and was president when [SAP acquired](#) the PeopleSoft support provider in 2005.

SearchSAP.com spoke with Ravin to see whether Rimini Street was, in fact, interested in TomorrowNow. Ravin also spoke about SAP's handling of Oracle's lawsuit and how the third-party support market has been affected by the fall-out.

How do you think SAP has handled the TomorrowNow lawsuit?

Ravin: What you're seeing happen in TomorrowNow is really a combination of things. When we sold it to SAP in early 2005, we had a little under 100 customers and 30 employees, and in the course of two-and-a-half years, SAP grew it to 300 customers with offices around the world and with over 200 employees.

SAP has absolutely wanted to hang in there because the business is throwing off a tremendous amount of cash and bringing in customers ... it really has been a tremendous success for SAP. Of course, the lawsuit has been a tremendous distraction to SAP.

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[SAP] ran into some challenges, some technicalities where TomorrowNow management had gotten a little sloppy; some folks had done some things they shouldn't have done. In the context of the suit, over time, I'm convinced that it's a minor issue. But what really

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happened was that SAP was stuck defending a business that it really didn't understand; it's a hands-off unit. [SAP is] in the software business and [third-party support] is a different kind of business completely.

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So you really have this awkward position before [SAP] to try to defend itself, and I don't think SAP has done a very good job of it. Maybe it's armchair strategy, but I really do believe that, in fact, there are many things SAP could've done to change this. [SAP] could put up a tremendous fight. I think they've tried to, to a certain degree, but with the loss of the management team at TomorrowNow, I think it's pretty clear that the SAP folks are looking at this from a broad perspective and saying ... maybe it's time to get back to focusing on the software.

Would Rimini Street be interested in buying TomorrowNow?

Ravin: When you talk about purchasing, we are interested in consolidation. I think we are uniquely qualified, as the only other major [third-party support] provider, to assimilate customers and move them easily from one program to the other; hence our phone is ringing off the hook [with inquiries from TomorrowNow customers].

The concept is whether there is something to buy. Should we buy [TomorrowNow] if all its customers are coming our way anyway? It raises the question: What would be the value proposition of an acquisition? So a lot of questions would have to be answered.

But, in general, are we interested in assimilating TomorrowNow's customer base into our own? The answer is yes.

TomorrowNow and Rimini Street are two of the largest third-party support providers, but Rimini Street has 50 customers, and TomorrowNow has about 300. Why has third-party support been slow to pick up steam?

Ravin: Actually, we are a function of market maturity. We launched TomorrowNow support services in 2002. We became part of SAP in 2005. Rimini Street is now two years old. It took us a year to build out programs and design everything and hit the road. So we're really a year, year-and-a-quarter into selling, and we're already up to 50 customers.

So, while we're only a small portion of the [support] market, there's absolutely [potential for] growth and acceleration. If TomorrowNow hadn't gotten tripped up with its challenges, it might have 500 customers today. And you're seeing Rimini Street accelerating as well.

This is a business with high barriers to entry. Some people are surprised that there are not 50 [providers] doing this. But when you think about it, how many companies are going to trust their tax and regulatory updates, billions of dollars of transactions, and their mission-critical [applications] to a company other than the vendor?

There are very few relationships that rise to that level of trust in this marketplace. It is very unnatural, and very counter-intuitive, to say the best thing you can do is leave your vendor and come to a third party; it's not what most people have been raised on in the IT world.

What types of companies are a good fit for third-party support?

Ravin: Public sector is huge. These are customers that don't get a new budget to upgrade every few years. We're seeing tremendous uptake from the public sector. It's going to be probably the single largest segment of our business, and it's always been a big part.

We just launched a higher education unit. [There are] 800 universities that have spent tons of money, which aren't looking to upgrade except maybe once a decade because the systems are so complex, with so much customization. We have two universities on board, and that [will be] another huge segment for us.

Healthcare and retail are two of the other traditional strong segments.

Then, when you look at the TomorrowNow customer base of hundreds of customers, probably 70 are in the Fortune 500. I think when you look at the quality and size of customers, it's very skewed toward larger customers.

We have many customers in the Fortune 500 and very large categories, as well as customers in the SMB space. So while Oracle can talk a game in terms of numbers, the reality is that we have a number of these customers that were paying seven-figure maintenance numbers that have made the changeover to third-party support.

This is a very mature industry when it comes to the size of the customers making the move, and that's going to continue. I don't see why it wouldn't. We just have to get through this particular vendor's challenge. We need to let the market get back on its focus, and [then] I think you're going to see continued growth.

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